

Message Text

CONFIDENTIAL

PAGE 01 ROME 02778 251818Z

46

ACTION EUR-12

INFO OCT-01 ISO-00 EB-07 SSO-00 NSCE-00 USIE-00 INRE-00

ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00

FEAE-00 FPC-01 H-01 INR-07 INT-05 L-02 NSAE-00 NSC-05

OMB-01 PM-03 SAM-01 OES-03 SP-02 SS-15 STR-01 TRSE-00

FRB-03 NEA-09 EA-06 EURE-00 PA-01 PRS-01 TAR-01 /100 W

----- 039164

O R 251659Z FEB 75

FM AMEMBASSY ROME

TO SECSTATE WASHDC IMMEDIATE 9729

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY THE HAGUE

US MISSION EC BRUSSELS

US MISSION NATO 2546

AMCONSUL MILAN

C O N F I D E N T I A L ROME 2778

E.O. 11652: GDS

TAGS: ENRG, IT

SUBJECT: FURTHER GOI CONCERNS OVER ENERGY PRICING

REF: A. ROME 2554 B. KATZ-BEAUDRY TELECON FEB 25

1. UNDERSECRETARY BATTAGLIA OF MFA CALLED IN ECON-COMM

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 ROME 02778 251818Z

MINISTER EVENING FEB 24 TO DISCUSS US VIEWS ON ENERGY PRICING

AND THE DEVELOPMENT OF ITALIAN POSITION. BATTAGLIA WAS ACCOMPANIED BY PROF. SABATINI, A SPECIALIST IN STRATEGIC STUDIES WHO IS ALSO BATTAGLIA'S ADVISOR IN ENERGY MATTERS.

2. BATTAGLIA RELATED AS BACKGROUND THAT FONMIN RUMOR HAD DELEGATED TO HIM RESPONSIBILITY FOR OVERALL FOREIGN ENERGY POLICY WITH PARTICULAR REFERENCE TO IEA AND ENERGY PRICING. HE WILL REPRESENT GOI AT MARCH 3-4 EC COUNCIL MEETING. HE NOTED THAT GOI HAS HAD DIFFICULTY IN FORMULATING ITS POSITION WHICH IS, HOWEVER, NOW IN FINAL STAGES AND MUST BE COMPLETED BY MARCH 1, IN VIEW OF DEPARTURE OF FONMIN RUMOR AND DIRECTOR GENERAL GUAZZARONI, WHO WILL ACCOMPANY PRESIDENT LEONE ON OFFICIAL TRIP TO SAUDI ARABIA MARCH 3-5. HE EXPECTS THAT IT MAY BE NECESSARY TO HAVE POLICY PACKAGE EVENTUALLY APPROVED BY COUNCIL OF MINISTERS.

3. HIS ADVISOR SABATINI EMPHASIZED HIS PERSONAL VIEW THAT OIL FLOOR PRICES SHOULD BE RELATED TO MARGINAL COSTS OF ALTERNATIVE SOURCES ALTHOUGH HE REALIZED THIS CONCEPT IS OPERATIONALLY DIFFICULT TO DEFINE IN SPECIFIC TERMS. THE LINK TO ECONOMIC COSTS, HE REASONS, SHOULD MAKE IT EASIER TO TALK TO PRODUCERS ON ECONOMIC, AS OPPOSED TO POLITICAL, PRICES AND TO AVOID THE INJECTION OF OTHER RAW MATERIAL PRICES INTO THE EVENTUAL PRODUCER-CONSUMER DIALOGUE.

4. THE UNDERSECRETARY ASKED SPECIFICALLY IF US VIEWS ON ENERGY PRICING AND MINIMUM OIL PRICES COULD BE CONSIDERED COMPATIBLE WITH SIMMONET-COMMISSION PROPOSAL FOR TWO-TIER PRICE SYSTEM. ECMIN REPLIED THAT HE COULD GIVE NO OFFICIAL RESPONSE BUT BELIEVED PERSONALLY THAT THE TWO APPROACHES ARE OR CAN BE MADE COMPATIBLE. BATTAGLIA HAZARDED THAT HE FELT A TWO PRICE SYSTEM ALONG THE LINES OF THE SIMMONET PROPOSAL IS PROBABLY THE BEST COMPROMISE AND THAT GOI COULD PROBABLY

GO ALONG WITH A "REASONABLE" FLOOR PRICE, PERHAPS AROUND \$6 OR 7.

5. BATTAGLIA ASKED ECMIN TO REVIEW TWO EDITORIALS IN HIS PARTY

NEWSPAPER "LA VOCE REPUBBLICANA"
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 ROME 02778 251818Z

OF FEB 20 AND 23 AND TO REPORT BACK OUR REACTION. (BATTAGLIA IS A REPUBLICAN AND MAY HAVE WRITTEN THE ARTICLES.) THE TWO ARTICLES ARE SYSTEMATIC AND WELL-REASONED EXPOSITION OF THE US POSITION AS SEEN FROM ITALY. THEY CONCLUDE THAT GOI HAS EVERY INTEREST IN REACHING AGREEMENT IN IEA ON COMPREHENSIVE ENERGY PACKAGE INCLUDING A REASONABLE TWO PRICE SYSTEM. ECMIN CALLED BATTAGLIA BACK FEB 24 AND CONVEYED TO HIM POSITIVE EMBASSY REACTION.

6. COMMENT. THIS CONVERSATION, AND THE PREVIOUS EXCHANGES WITH DIRECTOR-GENERAL GUAZZARONI (REF A) AND WITH CONFINDUSTRIA (ROME 2224) ARE TOGETHER A GOOD INDICATION THAT GOI THINKING IS MOVING ON LINES WHICH ARE PROBABLY COMPATIBLE WITH USG ATTITUDES. THEIR POSITION IN FEB 19-21 IEA STANDING GROUP ON LONG-TERM COOPERATION (STATE 041767/1) ALSO REFLECTS THIS MOVEMENT, ALTHOUGH ITALIAN REPS PROBABLY DID NOT HAVE INSTRUCTIONS CLEARED AT POLITICAL LEVEL. WE EXPECT ITALIANS WILL SUPPORT A TWO-TIER PRICE SYSTEM, PROVIDED THAT THE FLOOR PRICE IS NOT CONSIDERED TOO HIGH AND THAT THE OTHER ACCOMPANYING ARRANGEMENTS WITHIN THE PRICING AGREEMENT (SUCH AS SECURITY OF SUPPLY) AND OUTSIDE OF IT (FINANCING AND SHARING OF R AND D) ARE SATISFACTORY. WE ARE HOPEFUL THEY WILL BE ABLE TO APPROVE CONCEPTS OUTLINED ABOVE AT MARCH 6-7 MEETING WITH SOME HAGGLING OVER PRICES TO FOLLOW. VOLPE

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ENERGY, POLICIES, SURVEYS, PRICE CONTROLS
Control Number: n/a
Copy: SINGLE
Draft Date: 25 FEB 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ElyME
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975ROME02778
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750066-0403
From: ROME
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750215/aaaaamul.tel
Line Count: 130
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 75 ROME 2554, 75 KATZ-BEAUDRY, 75 TELECON FEB 25
Review Action: RELEASED, APPROVED
Review Authority: ElyME
Review Comment: n/a
Review Content Flags:
Review Date: 16 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <16 APR 2003 by KelleyW0>; APPROVED <22 SEP 2003 by ElyME>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FURTHER GOI CONCERNS OVER ENERGY PRICING
TAGS: ENRG, IT
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006